



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0139
---------------	--------

Title:	Governor's \$400 property tax rebate
---------------	--------------------------------------

Primary Sponsor:	Harrington, D.
-------------------------	----------------

Status:	As Amended
----------------	------------

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$99,758,567	\$0	\$0	\$0
Revenue:				
General Fund	\$4,021,685	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$95,736,882)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal Impact:

This bill provides a rebate of up to a \$400 in property taxes paid over three years to qualified Montana homeowners on their primary residence.

FISCAL ANALYSIS

Assumptions:

- Section 2 of this bill provides owners of a primary residence in Montana a rebate on tax year 2004, tax year 2005, and tax year 2006 property taxes assessed and paid up to a maximum rebate amount of \$400.
- Based on figures from the 2005 American Community Survey, there are 254,458 owner-occupied houses in Montana.
- As Section 2 of this bill allows any residential owner to qualify if they paid \$400 in total taxes on their residence over a 3 year period, it is assumed the estimated 254,458 owner-occupied homeowners will qualify for the rebate. The estimate rebate for these taxpayers will be \$101,783,200 (\$400 x 254,458).
- This fiscal note assumes the full rebate amount will be paid in FY 2008 and 97% of the rebate will be claimed. Based on these assumptions, the impact of the rebate on the general fund in FY 2008 is \$98,729,704 (\$101,783,200 x 97%).

5. Taxpayers who claim an itemized deduction for property taxes on their 2006 state income tax returns would be required to report their rebates as income on their 2007 tax returns. It is assumed that all income taxpayers who itemize would be receiving \$400 in rebate.
6. In 2005, 161,311 resident households claimed an itemized deduction for property taxes. Based on the 2003 growth rate for itemizers of 3%, this number is expected to grow 6% (3% x 2 years) to 170,990 (161,311 x 1.06) by 2007. These households will report their rebates as an additional \$68,396,000 (\$400 x 170,990) of income on the 2007 income tax returns they file in the spring of 2008.
7. In 2005, the average marginal tax rate of taxpayers who claimed an itemized deduction for property taxes was 5.88%. Taxpayers who receive rebates and took an itemized deduction for property taxes in 2006 will owe an additional \$4,021,685 (5.88% x \$68,396,000) when they file their 2007 income tax returns in the spring of 2008.
8. The Department of Revenue will hire 58 temporary employees to administer the rebate program. Personal services costs for these employees would be \$215,634. Associated operating costs would be \$60,706 and equipment costs would be \$6,050. Computer systems costs would be \$300,000. The cost of developing, printing, and mailing rebate checks would be \$446,473. Total costs for the department to administer the rebate program would be \$1,028,863.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	9.50	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$215,634	\$0	\$0	\$0
Operating Expenses	\$807,179	\$0	\$0	\$0
Equipment	\$6,050	\$0	\$0	\$0
Transfers	\$98,729,704	\$0	\$0	\$0
TOTAL Expenditures	<u>\$99,758,567</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$99,758,567	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$99,758,567</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$4,021,685	\$0	\$0	\$0
TOTAL Revenues	<u>\$4,021,685</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$95,736,882)	\$0	\$0	\$0

Sponsor's Initials_____
Date_____
Budget Director's Initials_____
Date